The role of political instability and corruption on foreign direct investment in the MENA region

Zouhaier Aloui

Faculty of Economic and Management of Sousse University of Sousse, Tunisia

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Zouhaier Aloui

Faculty of Economic and Management of Sousse

University of Sousse, Tunisia

Department of Economics

Email: Zouhaier_a@yahoo.com

Abstract

The interest of this paper is to show the influence of political instability and corruption on foreign direct investment and its different effects among MENA countries. Political instability and corruption are highlighted as a risk factor for the foreign investor who generates several costs for economic activity and remains a major determinant of FDI. The combination of political instability and corruption contributes to the revolution in these countries such as Tunisia, Egypt, Libya and weak economic integrations in general explain the low attractiveness of MENA countries for foreign investors. It is widely argued that good governance is an important factor of FDI. With the exception of studies of corruption, however, empirical research on the link between governance and FDI is limited, particularly in the context of MENA countries. Corruption and political instability are the governance indicators that seem to have the greatest impact on foreign direct investment (FDI). An increase in FDI has the greatest effect on development in politically stable regimes. Studies of corruption and its relation to foreign direct investment (FDI) have yielded mixed results; some have found that corruption discourages FDI, but others have found the opposite. The study covers the MENA region for the period 1996-2016. Using the panel data technique and the results obtained indicate a negative relationship between political instability and foreign direct investment and between corruption and FDI.

Keywords: political instability, corruption, foreign direct investment, MENA countries.

1. Introduction

The financial crisis revived the debate about the importance of foreign direct investment (FDI) in economic growth in developing countries, particularly in Africa. Many economists and financiers agree that the current of the financial crisis can have negative effects on economic growth in Africa, due to the reduction of foreign capital flows. In addition, many of these literatures have been devoted to Africa and its regional disparities in foreign direct investment (FDI).

Globalization is a controversial, complex phenomenon, a major problem is particularly at the macroeconomic level, for example international trade, (including bank lending, foreign direct investment and portfolio investment) and hand migration in the realization of globalization as a process. In addition, commercial enterprises, in particular transnational corporations (TNCs), play a key role in these mechanisms or processes. Another important aspect is that the phenomenon of globalization is unequal in its impact. The Association of Southeast Asian Nations (ASEAN) is widely regarded as the most successful region in the developing world to attract foreign capital flows (at least until the financial crisis and Asian Economic 1997). The considerable increase in FDI in developing countries over the last decade also reflects the improvement in the local investment environment perceived by investors, due to the adoption by many countries of macroeconomic and structural soundness. In the early 1990s, Asia was the main beneficiary of FDI, and then, after the Asian crisis, Latin America took the lead. But in recent years, there has been a rebound in Asia where FDI has again overtaken Latin America. FDI in the MENA region, on the other hand, barely increased during this period. Anecdotal evidence suggests that MENA is the only region that can attract FDI, especially those with significant natural resources (oil, natural gas). Historically, MENA countries have a higher level of volatility associated with risk relative to developed country investment. This risk instability is a decisive factor in discouraging FDI in the MENA region.

Since the early 1990s, economists have paid increasing attention to the relationship between institutions and economic growth. Several studies show that "good institutions" can encourage private investment, improve the overall efficiency of the economic system and significantly contribute to economic growth. Over the past year, most MENA countries have undergone profound economic and institutional reforms aimed at improving macroeconomic stability, international openness and private sector development. The signing of the Euro-Mediterranean Partnership Agreements, with a gradual elimination of trade barriers, has a positive impact on international trade relations in the MENA region.

In addition, recent studies by Bellos and Subasat (2012) suggest that poor governance is a source of attraction rather than an obstacle for multinational enterprises in countries in transition. Apart from democratic accountability, all other governance variables were negatively associated with FDI, revealing aspects of FDI such as improving poor governance. In these circumstances, poor governance could have a positive influence on FDI as it could allow companies to circumvent poorly designed regulations. An obvious way to evaluate this statement and estimate similar regressions for non-transition countries. FDI is an important source of capital, technology and skills transfer. It helps the economy, they are a source of benefit from market expansion, cost-cutting factors and other tariff measures. A country with good resources, a market with high potential and adequate infrastructure can have a good opportunity to attract more FDI. The eclectic paradigm (OLI) of multinationals is based on the theory of internalisation including local factors in several countries to help determine FDI. The volatility associated with investment risk is crucial in terms of foreign direct investment for MENA countries.

Dunning (2000) has argued that institutional factors such as good governance and economic freedom are increasingly important in terms of the importance of foreign direct investment (FDI) and the motives of multinational enterprises (MNEs). have gone from market to search for resources for efficiency-research. This only implies the traditional determinant of FDI such as natural resources, low labor costs and good infrastructure that are becoming relatively less important but less traditional, such as governance and freedom. increasingly important (Loree and Guisinger (1995)). Except corruption, the empirical investigation of the link between governance and FDI is limited, with some supporting documents the widely held view is that good governance encourages FDI (Globerman and Shapiro (2003); 2007)).

The results of the recent empirical work of Bellos and Subasat, consider that bad governance is a source of attraction of FDI, not only in countries in transition, but also in MENA region? The purpose of this study is therefore to examine the effects of political instability and corruption on foreign direct investment in the MENA region, for the period 1996-2016. More specifically, this study aims to answer the following questions:

1- Is political instability and corruption a source of attraction for foreign direct investment in the MENA region?

This work is organized as follows: First, we present a review of the literature on the impact of political instability and corruption on FDI. Second, we present the evolution of FDI and

governance indicators in MENA countries. Then we discuss empirical models and methodology. We describe the data and present the results of the estimation. Finally, we will conclude this work with a conclusion and political implications.

2. A review of the literature

Relationship between corruption and foreign direct investment (FDI)

Jose and Ling (2015) examined the relationship between corruption and foreign direct investment and gave mixed results. Some have found that corruption discourages FDI, but others have found the opposite. Resumes previous studies in the OLI paradigm, but also seeks to advance our understanding of this relationship by introducing the notion of "distance of corruption" between pairs of countries and apply it to the particular context of Latin America. After controlling transaction costs and institutional variables, the results show that the distance of corruption has an asymmetrical impact on FDI. Countries with the distance of "positive" corruption compared to home country levels of host corruption, experience no significant increase or reductions in inward FDI levels. However, the distance of "negative" corruption experienced by host countries is associated with significantly lower levels of FDI inflow. We argue that firms in a host country with relatively low levels of corruption are not familiar with the formal and informal institutions associated with corruption. Conversely, companies in the home country with high corruption are discouraged by high corruption in host countries. Thus, the distance of corruption can be considered as a determining factor of FDI by investing in a very corrupt location.

Eduardo; de Arce and Escribano (2014) examined the main determinants of FDI in Latin America during the period 1990-2010. The facts support positive influences on FDI inflows and trade openness, maintaining low levels of short-term debt with a balance of payments deficit, stable government and low risk expropriation. Countries such as Argentina, Bolivia, Ecuador and Venezuela, where the investment framework has become relatively less stable over the past decade, are finding it increasingly difficult to attract foreign investors. From a risk management point of view, both public solutions (such as sovereign guarantees) and private institutions have an important role to play in reducing the uncertainty associated with foreign investment decisions. Freckleton, Wright, and Craigwell (2010) examine the relationship between direct investment, corruption, and economic growth. The results suggest that corruption has a significant influence on GDP per capita in the short run, but it is not significant in the long run. Lower levels of corruption have also been found to improve the impact of

foreign direct investment (FDI) on development and economic growth. This has important implications for decision makers.

Wei (2000) studies the effect of corruption on foreign direct investment by using panel data for a sample that covers the bilateral investment of 12 countries of origin and 45 host countries. There are two central conclusions. First, an increase in the tax rate on multinational companies or the level of corruption in a host country reduces foreign direct investment (FDI). In one estimate, an increase in the level of corruption, that of Singapore and Mexico, would have the same negative effect on FDI inflows as the raising of the tax rate by fifty percentage points. Second, US investors opposed corruption in host countries, but not necessarily more than average OECD investors. Egger and Winner (2005) find a positive and clear relationship between corruption and FDI, on a panel of 73 developed and less developed countries during the period 1995-1999. They showed that corruption can be A positive, positive relationship between FDI and corruption shows that government officials use administrative controls and bureaucratic discretion to profit from foreign investors.

The relationship between political instability and foreign direct investment (FDI)

Gouenet and Nguena (2014) examined the reflection of the effect of the business environment on investment, which remains the main determinant of the quality and quantity of foreign direct investment (FDI) destined for country. Socio-political instability creates an unfavorable environment and represents a risk for private investment in general and for FDI in particular. The attractiveness of sub-Saharan African countries for foreign investors and the coexistence of socio-political instability factors such as civil wars, coups and various civil problems have led to the use of a specific context in Cameroon to evaluate the relationship between socio-political instability and FDI. Gouenet (2011) examines the impact of socio-political instability on private investment in Cameroon. Socio-political instability is highlighted as a risk factor for investment that generates transaction costs for economic activity. The combination of the economic crisis with political crises contributes to the deterioration of the business environment in general and explains in particular the hesitant behavior of private investment. The estimation in an equation of investment determinants using OLS of the previously calculated political instability indicator revealed a negative correlation between the coefficient of political instability and the evolution of private investment during the period 1960-2002 in Cameroon.

Rodrik (2001) shows that even moderate amounts of political uncertainty can act as a heavy tax on investment, and that sensitive counter-reforms can be damaging if they raise doubts about their performance. A simple model is developed to link political uncertainty to the response of private investment. Alesina, Ozler, and Swagel (1996) examined the relationship between political instability and economic growth in a sample of 113 countries for the period 1950-1982. We define "political instability" as the propensity for a collapse of government and we consider a model in which political instability and economic growth are jointly determined. The main result of this study is that in countries with a high propensity of falling government, growth is significantly lower. This effect remains strong when we limit our definition of "change of government" to significant changes in government. Ngbesso (2011) examines the impact of political risk on the net inflows of foreign direct investment (FDI) into 31 countries in sub-Saharan Africa from 1984 to 2008. The results indicate a negative and significant relationship between political risk and FDI inflows into sub-Saharan Africa. Indeed, the global political risk score indicator of the international Country Risk Guide is positively related to FDI flows. This means that any increase in political risk leads to a decrease in net inflows of FDI into Sub-Saharan Africa. The results of the study obtained are robust to all tests performed in our analysis. As pointed out by Busse and Hefeker (2007), the relationship between political risk, institutions and foreign direct investment has been analyzed. They find that the stability of government, internal and external conflicts, law and order, ethnic tensions, bureaucratic quality, and to a lesser degree corruption and democratic accountability are the most important determinants of the flows of FDI.

Jun and Singh (1996) found an aggregate indicator of political risk based (on sub-components) on the value of FDI. They find that in a sample of 31 developing countries the political risk index is statistically significant and the coefficient implies that countries with high levels of political risk attract less FDI. Singh and Jun analyzed various factors, including political risk, business conditions, and macroeconomic variables that influenced FDI in developing countries. Using a common model of developing countries, they have shown that political and business risk have been important determinants of FDI for countries that have historically attracted high investment.

Desbordes (2005) shows that global political risk and diplomatic risk influence US multinationals investing in developing countries. Chiara Del Bo examines the effect of the exchange rate and institutional instability on the level of foreign direct investment (FDI)

between developed and developing countries by presenting an empirical study of a panel of countries over two decades , both with cross-country and cross-sectoral data, justified by a partial equilibrium model of the entry of foreigners. The question is first presented with a model of partial equilibrium of the FDI in an oligopolistic sector, or the same the foreign companies must decide to enter a host market characterized by the volatility of the exchange rates and the risk policy. The results indicate that exchange rate variability and political risk have a moderating effect on FDI flows, and that the interaction term is negative, indicating that the two effects are mutually reinforcing. Econometric analysis confirms and verifies these results.

3. Foreign Direct Investment (FDI) and Governance

Foreign direct investment (FDI)

Table 1- FDI flows by region, 2010-2012

(Billions of dollars and percentage)

Région	Entrées d'IED			Sorties d'IED		
	2010	2011	2012	2010	2011	2012
Ensemble du monde	**1 409**	**1 652**	**1 351**	**1 505**	**1 678**	**1 391**
Pays développés	696	820	561	1 030	1 183	909
Pays en développement	637	735	703	413	422	426
Afrique	44	48	50	9	5	14
Asie	401	436	407	284	311	308
Asie de l'Est et du Sud Est	313	343	326	254	271	275
Asie du Sud	29	44	34	16	13	9
Asie de l'Ouest	59	49	47	13	26	24
Amérique latine et Caraïbes	190	249	244	119	105	103
Océanie	3	2	2	1	1	1
Pays en transition	75	96	87	62	73	55
Petits pays structurellement faibles et vulnérables	**45**	**56**	**60**	**12**	**10**	**10**
Pays les moins avancés	19	21	26	3,0	3,0	5,0
Pays en développement sans littoral	27	34	35	9,3	5,5	3,1
Petits pays insulaires en développement	4,7	5,6	6,2	0,3	1,8	1,8
Pour mémoire: part dans les flux d'IED mondiaux (en pourcentage)						
Pays développés	49,4	49,7	41,5	68,4	70,5	65,4
Pays en développement	45,2	44,5	52,0	27,5	25,2	30,6
Afrique	3,1	2,9	3,7	0,6	0,3	1,0
Asie	28,4	26,4	30,1	18,9	18,5	22,2
Asie de l'Est et du Sud Est	22,2	20,8	24,1	16,9	16,2	19,8
Asie du Sud	2,0	2,7	2,5	1,1	0,8	0,7
Asie de l'Ouest	4,2	3,0	3,5	0,9	1,6	1,7
Amérique latine et Caraïbes	13,5	15,1	18,1	7,9	6,3	7,4
Océanie	0,2	0,1	0,2	0,0	0,1	0,0
Pays en transition	5,3	5,8	6,5	4,1	4,3	4,0
Petits pays structurellement faibles et vulnérables	**3,2**	**3,4**	**4,4**	**0,8**	**0,6**	**0,7**
Pays les moins avancés	1,3	1,3	1,9	0,2	0,2	0,4
Pays en développement sans littoral	1,9	2,1	2,6	0,6	0,3	0,2
Petits pays insulaires en développement	0,3	0,3	0,5	0,0	0,1	0,1

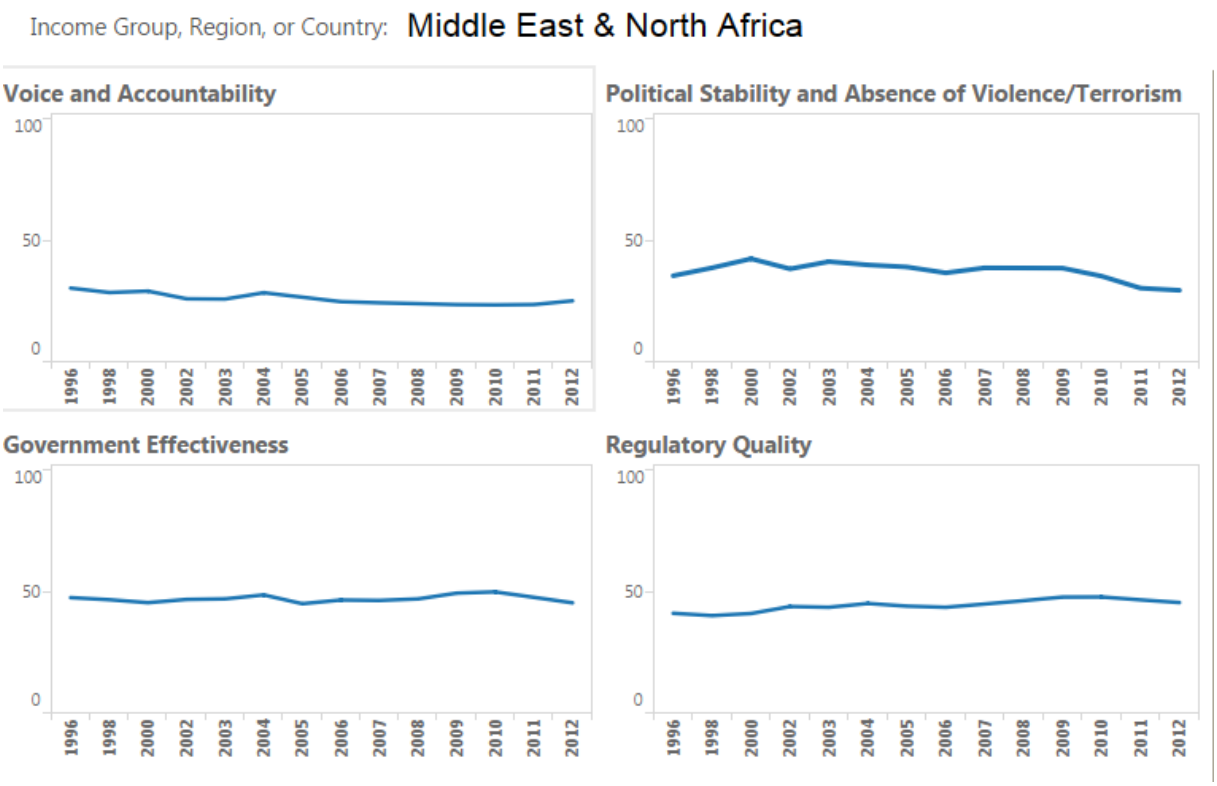
Source: CNUCED, *World Investment Report 2013.*

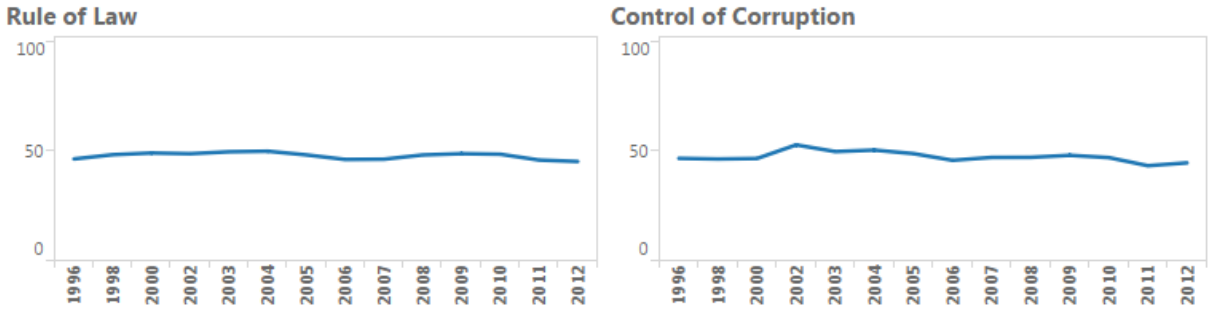
Traditionally, FDI flows are directed to developed countries. Between 2010 and 2012, developing countries received $ 637- $ 703 billion of world flow. Table 1 shows the FDI inflow

trend in three regions: Asia, Latin America and the Caribbean and Africa. Remarkable differences can be noted between the three economies considered. It may be noted that FDI has met with significant growth in the first two economies while growth has proved to be much more restrained in Africa. As well as towards the emerging Asian economies, in the last decade, a considerable influx of FDI has been directed to Central and Eastern European countries. At the regional level, FDI flows to developing countries such as Asia and Latin America have remained at historically high levels, but their dynamics have weakened in Africa. For example, in 2012 FDI inflows into Asia ($ 407 billion), while FDI outflows ($ 308 billion), Latin America ($ 244 billion) and FDI outflows ($ 103 billion) dollars) and Africa ($ 50 billion), however, out of FDI ($ 14 billion). So improving foreign direct investment is a prerequisite for development in the MENA region. In the experience, the growth of FDI flows in the MENA countries has been significantly lower than in the EU or Asian countries, such as China and India, and in the American countries. Latin.

Governance

Chart 1- Evolution of governance indicators





Source: Kaufmann (2010) (the worldwide Governance Indicators)

Chart 1 shows that bad governance in MENA. Economic, social and human development in the MENA region is handicapped by weaknesses in the quality of (national) public governance, an area in which the region is lagging behind the rest of the world. Governance is generally weaker in the MENA region than in the rest of the world. In general, the MENA countries present a limited and hesitant model of transparency, and it is no coincidence that this region has the least empirical data on the quality of governance. For example, in Egypt, the government's detailed budget is neither published in its entirety nor discussed outside parliament. Freedom of the press is carefully controlled and circumscribed in most countries.

Table 2: Institutional Development in North Africa

Pays	Année	Rang centile [1] (0-100)	Le score à la gouvernance (- 2,5 à + 2,5)
La stabilité politique			
Algérie	2009	12,7	- 1,2
Egypte	2009	24,5	- 0,63
Libye	2009	68,9	0,62
Mauritanie	2009	13,7	- 1,17
Maroc	2009	30,2	- 0,43
Soudan	2009	1.4	- 2,65
Tunisie	2009	53,3	0,23
L'efficacité du gouvernement			
Algérie	2009	34,8	- 0,59
Egypte	2009	44,3	- 0,3
Libye	2009	11,9	- 1,12
Mauritanie	2009	21	- 0,9
Maroc	2009	51,4	- 0,11
Soudan	2009	7.1	- 1,32
Tunisie	2009	65,2	0,41

Contrôle de la corruption			
Algérie	2009	37,6	- 0,49
Egypte	2009	41	- 0,41
Libye	2009	13,8	- 1.1
Mauritanie	2009	30,5	- 0,66
Maroc	2009	51,4	- 0,23
Soudan	2009	6.2	- 1,24
Tunisie	2009	57,6	0,02

Source : Kaufman et al (2010)

Table 2 shows that most North African countries suffer from poor governance and political instability. Indeed, with a few exceptions, the region is below the global average in terms of government efficiency and political stability. In addition, most countries rank poorly in terms of corruption.

4. Methodology and models

In this paper, we will try to empirically investigate and evaluate the relationship between political instability and corruption and foreign direct investment in the MENA region over a period from 1996 to 2014, using panel data. and the database of the World Bank.

According to the (DUI) dunning paradigm, there are several advantages of localization that characterize the MENA region such as the endowment of natural and human resources (oil and natural gas reserves), the size of the market and the potential, the degree of economic development, the degree of openness of the economy, macroeconomic stability. The benefits attract the IDE. The resource-rich MENA countries are Algeria and Libya, which are rich in both oil and natural gas reserves, and Egypt, which is rich in natural gas reserves. In addition, some countries in the MENA region have a large population size, which is potentially a human resource endowment.

4.1. Empirical model:

We use panel data to study the impact of political instability and corruption on FDI. The context of MENA countries during the period 1996-2014. We develop their model using the variables of political instability and corruption. We also use a number of new control variables in our model. Other variables can be added to the model to assess their relative impact.

Our empirical model is developed to study the impact of political instability and corruption on FDI in MENA. The model takes the following form:

$$FDI_{it} = \beta_0 + \beta_1 INS_{it} + \beta_2 COR_{it} + \beta_3 GDP_{it} + \beta_4 OPENNESS_{it} + \beta_5 INF_{it} + \beta_6 EDUCATION_{it} + \beta_7 FD_{it} + \varepsilon_{it}$$

4.2. Database and presentation of variables

The dependent variable (endogenous variables)

Foreign direct investment (FDI): is measured by net inflows of FDI as a% of GDP. We use FDI because FDI stocks are more stable.

Explanatory variables (exogenous variables)

Political Instability (INS): The political stability of the government, which is a political institutional function based on the correlation between FDI, the different national institutional coefficients and bilateral investment treaties.

Corruption (COR): Corruption is a threat to FDI because it allows people to take positions of power through patronage rather than ability. Patronage threatens the rights of foreign investors because it facilitates expropriation by the government of the investment or may cause direct conflicts with customers and investors.

Control variables

To improve our empirical analysis, we also consider a set of control variables. These variables are:

-Gross domestic product (GDP): it measures the rate of economic growth, The standard of living is defined by GDP per capita.

- degree of openness or trade openness (OUV): it is measured by total exports and imports over GDP. An open economy is conducive for FDI flows. We expect a positive coefficient.

-Inflation (INF): it is measured by the percentage change in the GDP deflator, it is the variable that represents macroeconomic policy. Is proxy for macroeconomic stability in the economy. It is measured by the inflation rate based on either the consumer price index or the GDP deflator. A higher inflation rate is an indicator of lower macroeconomic stability and real incomes. It discourages the search for markets but not necessary to search for resources. We expect a negative coefficient.

-Human capital (KH): It is measured by the percentage of secondary schooling and obtained from the database of the World Bank.

-the development of the financial market (CRED): it is evaluated respectively, total credit by private financial intermediaries in relation to GDP (it measures the financial intermediation of a country and market capitalization in relation to GDP).

Table 3: Summary of measures of variables to use

The variable	Expressions	data source
Foreign Direct Investment (FDI)	FDI	Net inflows of FDI as% of GDP
Gowth	GDP	GDP growth rate
Financial development	DF	Composite index constructed by the PCA method
Education	Education	The secondary schooling rate
Degree of openness	OPENNESS	The sum of exports and imports relative to GDP.
Inflation	INF	Inflation rate
Political instability Corruption	INS COR	Kaufmann et Kray

Source: done by the author

Table 4 : Independent variables and expected signs

Inv. / GDP: Foreign direct investment.

Exogenous variables	Expected sign
Political instability (INS)	negative
Corruption (COR)	negative
Growth (PIB)	Positive
Inflation (INF)	Positive/ negative
Degree of openness (OPENNESS)	Positive
Education (EDUCATION)	Positive
Financial development (FD)	Positive

Source: Author's specification.

4.3. Estimation technique

The Hausman test makes it possible to arbitrate between the fixed effects model and the random effects model. The Hausman test leads to the preference of the random effect model over the fixed effect model.

The Hausman test is a test of specification of individual effects. It is used to discriminate between fixed and random effects. The hypothesis tested concerns the correlation between the individual effects and the explanatory variables.

4.4. Results of regressions and interpretations

We begin by interpreting the results of the static models (fixed effect and random effect). It is necessary to perform the effects specification test which is the Hausman test. This test follows the Chi-square law with K-1 degree of freedom and it allows to choose between the fixed effects model and the random effects model. Fixed effects and random effects models make it possible to take into account the heterogeneity of the data. In case the probability of this test is greater than 5%, it is significant and leads to privileging the random effects model. In the opposite case, we retain the fixed effects. Thus, we retain in our study the model with random effects through the Hausman test the probability is 5% higher. Then, the random effects model is preliminary to the fixed effects model.

Table 5 : Random effects model estimation results

FDI	Coef	Std Err	z	Prob	(95% Conf	Interval)
GDP	.2355544	.0914234	2.58	0.010*	.0563678	.414741
EDUCATION	.0371782	.0186968	1.99	0.047**	.0005332	.0738231
OPENNESS	.0880226	.0250025	3.52	0.000***	.0390187	.1370265
FD	.0939907	.0151267	6.21	0.000***	.0643428	.1236385
INF	.0065126	.0191124	0.34	0.733	-.030947	.0439722
INS	-1.024447	.4413175	-2.32	0.020**	-1.889413	-1594801
COR	-3.206444	.5812495	-5.52	0.000***	-4.345672	-2.067216
Const	-9.080428	1.587067	-5.72	0.000	-12.19102	-5.969833

*** Significant at 10%; ** Significant at 5%; *** Significant at 1%**

For our sample, the coefficient of GDP is positive and statistically significant at the 1% level. Indeed, the impact of a one percentage point increase in GDP is likely to increase FDI by 0.235 percentage points. This result is consistent with previous studies (Hejazi, 2009, Medvedev, 2012), which confirmed that GDP attracts FDI. The human capital coefficient variable positively affects foreign direct investment. The impact of a one percentage point increase in human capital is equivalent to an increase in FDI averaging 0.037 percentage points.

It is clear that commercial openness contributes positively to the explanation of the dependent variable for a 1% threshold. The estimation results clearly show that a one

percentage point increase in opening would increase the inflow of foreign investors by 0.088 percentage points. They stress that a high level of openness increases countries' economic growth. Financial development increases foreign direct investment. Our results show that credit positively affects FDI. This supports the assumption that an increase of one percentage point of credit leads to an increase in foreign investors of 0.093 percentage points.

In addition, the political instability variable (INS) negatively influences FDI is significant at the 5% level. The result is similar to that of Gouenet and Nguena (2014) examines the effect of uncertainty and instability on foreign direct investment (FDI). The literature shows that political instability and uncertainty can become a powerful deterrent to foreign direct investment (FDI). Socio-political instability creates an unfavorable environment and represents a risk for private investment in general and for FDI in particular. Gouenet (2011) examines the impact of socio-political instability on private investment in Cameroon. Socio-political instability is highlighted as a risk factor for investment that generates transaction costs for economic activity. Ngbesso (2011) examines the impact of political risk on net inflows of foreign direct investment (FDI) into sub-Saharan African countries. The results indicate a negative and significant relationship between political risk and FDI inflows in sub-Saharan Africa.

Likewise, our tests reveal a negative and significant relationship between corruption and FDI. This result can be explained Freckleton, Wright and Craigwell (2010) examine the relationship between direct investment, corruption and economic growth. The results suggest that corruption has a significant influence on GDP per capita in the short run, but it is not significant in the long run. Lower levels of corruption have also been found to improve the impact of foreign direct investment (FDI) on development and economic growth.

Wei (2000) studies the effect of corruption on foreign direct investment. There are two central conclusions. First, an increase in the tax rate on multinational companies or the level of corruption in a host country reduces foreign direct investment (FDI).

Table 6 : search results

The Variable	Planned sign	Sign found
Political instability (INS)	-	-
Corruption (COR)	-	-
Growth (GDP)	+	+

Inflation (INF)	-/+	
(OUV)	+	+
Capital humain (KH)	+	+
Développement financier (CRED)	+	+

Conclusion and political implication:

FDI plays an important role in the global economy. Subsequently, understanding its determinants is an important part of motivating and attracting more foreign investors. In addition, it is important for the host country to promote and develop programs to attract FDI. The results indicate a negative relationship between political instability and foreign direct investment and between corruption and FDI. The results give some suggestions for policymakers to make their country more attractive for investment such as political stability and the absence of corruption.

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